

**9-1-1 ASSOCIATION OF CENTRAL  
OKLAHOMA GOVERNMENTS**

**Basic Financial Statements  
for the Year Ended June 30, 2014  
and Independent Auditors' Reports**

**9-1-1 Association of Central Oklahoma Governments**  
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**For the Year Ended June 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
9-1-1 Association of Central Oklahoma Governments

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise 9-1-1 ACOG's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of 9-1-1 ACOG, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of 9-1-1 ACOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 9-1-1 ACOG's internal control over financial reporting and compliance.

*Arlidge & Associates, P.C.*

Edmond, Oklahoma  
October 7, 2014



9-1-1 association of central oklahoma governments

Chair Jay Adams  
Mustang Mayor

Vice-Chair Ken Bartlett  
Del City Councilmember

Secretary/Treasurer Mark Hamm  
Moore Councilmember

Executive Director  
John G. Johnson

## Management's Discussion and Analysis (Unaudited)

As management of the 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG), we offer readers of 9-1-1 ACOG's financial statements this narrative overview and analysis of the financial activities of 9-1-1 ACOG for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at 9-1-1 ACOG's financial performance as a whole; readers are encouraged to consider information presented here as well as the financial statements and notes to enhance their understanding of 9-1-1 ACOG's financial performance.

### Financial Highlights

#### Government-wide:

- The assets of 9-1-1 ACOG exceeded its liabilities at the close of the most recent fiscal year by \$11,999,495 (*net position*). Of this amount, \$10,614,185 (*unrestricted net position*) may be used to meet 9-1-1 ACOG's ongoing obligations to the member local governments and creditors.
- 9-1-1 ACOG's total net position increased by \$1,198,692. This increase is primarily due to controlling expenses in anticipation of the high cost of future systems.

#### Fund Level:

- At the close of the current fiscal year, 9-1-1 ACOG's governmental fund reported an ending fund balance of \$10,614,185, an increase of \$757,629 in comparison with the prior year. Approximately 99.1 percent of this amount, \$10,511,199 is *available for spending* at 9-1-1 ACOG's discretion (*assigned fund balances*) although the 9-1-1 ACOG Board of Directors has *assigned* \$1,436,722 for future operations and \$1,500,000 for future system improvements while the remaining \$7,574,477 is *assigned* to the E9-1-1 emergency telephone number system.
- At the end of the fiscal year, the unrestricted fund balance, including all assigned balances, of the special revenue fund (9-1-1 ACOG's only fund) was \$10,614,185 or 279 percent of total special revenue fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to 9-1-1 ACOG's basic financial statements. 9-1-1 ACOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of 9-1-1 ACOG's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of 9-1-1 ACOG's assets, liabilities and deferred inflows/outflows of resources (if any), with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 9-1-1 ACOG is improving or deteriorating.

The *statement of activities* presents information showing how 9-1-1 ACOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements include functions of 9-1-1 ACOG that are principally supported by grants and telephone company service charges (*governmental activities*). 9-1-1 ACOG has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) and has no component units.

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. 9-1-1 ACOG, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 9-1-1 ACOG only has a special revenue fund, which belongs to the category of governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

9-1-1 ACOG only maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance.



The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 23 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. Although not legally required to do so, 9-1-1 ACOG does adopt an annual budget for its fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget and is presented on page 24 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of 9-1-1 ACOG, assets exceeded liabilities by \$11,999,495 at June 30, 2014, as compared with assets exceeding liabilities by \$10,800,803 at June 30, 2013. A portion (11.5 percent) of 9-1-1 ACOG's net position reflects its investment in capital assets (equipment, vehicles, work-in-progress and intangible map database), less any related debt used to acquire those assets that is still outstanding. 9-1-1 ACOG uses these capital assets to operate and to provide services; consequently, these assets are *not* available for future spending. Although 9-1-1 ACOG's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position compared to the prior year.

### 9-1-1 Association of Central Oklahoma Governments' Net Position

	Governmental Activities		Total Percentage Change
	2014	2013	
Current and other assets	\$ 11,182,710	\$ 10,196,456	9.7%
Capital assets	1,385,310	944,247	46.7%
<b>Total assets</b>	<b>12,568,020</b>	<b>11,140,703</b>	<b>12.8%</b>
Long-term debt outstanding	-	-	N/A
Other liabilities	568,525	339,900	67.3%
<b>Total liabilities</b>	<b>568,525</b>	<b>339,900</b>	<b>67.3%</b>
Net position			
Net investment in capital			
assets	1,385,310	944,247	46.7%
Restricted	-	-	N/A
Unrestricted	10,614,185	9,856,556	7.7%
<b>Total net position</b>	<b>\$ 11,999,495</b>	<b>\$ 10,800,803</b>	<b>11.1%</b>

None of 9-1-1 ACOG's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,614,185) may be used to meet 9-1-1 ACOG's ongoing obligations.

At the end of the current fiscal year, 9-1-1 ACOG is able to report a positive balance in all categories of net position. The same situation held true for the prior fiscal year.

#### Governmental Activities

The following table reflects the condensed changes in net position from the prior year.

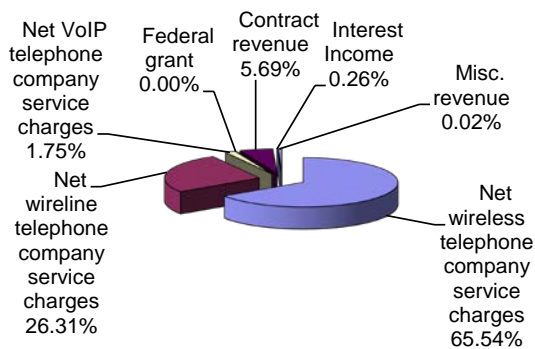


### 9-1-1 Association of Central Oklahoma Governments Changes in Net Position

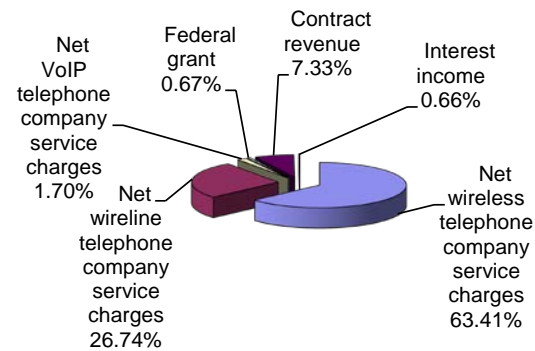
	Governmental Activities		Total Percentage Change
	2014	2013	
<b>Revenues</b>			
Program revenues			
Net wireless telephone company service charges	\$ 2,989,257	\$ 3,004,277	-0.5%
Net wireline telephone company service charges	1,200,094	1,266,864	-5.3%
Net VoIP telephone company service charges	79,990	80,447	-0.6%
Federal grant	-	31,860	-100.0%
Contract revenue	259,379	347,267	-25.3%
Interest income	4,570	7,236	-36.8%
Miscellaneous revenue	27,784	5	555580.0%
<b>Total revenues</b>	<b>4,561,074</b>	<b>4,737,956</b>	<b>-3.7%</b>
<b>Expenses</b>			
E9-1-1 emergency telephone number system	3,362,382	3,343,316	0.6%
<b>Total expenses</b>	<b>3,362,382</b>	<b>3,343,316</b>	<b>0.6%</b>
<b>Increase (decrease) in net position</b>	<b>\$ 1,198,692</b>	<b>\$ 1,394,640</b>	<b>-14.1%</b>

9-1-1 ACOG's total net assets, all from governmental activities, increased by \$1,198,692 during the current fiscal year. This increase is primarily due to controlling expenses in anticipation of the high cost of future systems.

9-1-1 ACOG 2014 Revenues by Source



9-1-1 ACOG 2013 Revenues by Source



### Financial Analysis of the Government's Funds

As noted earlier, 9-1-1 ACOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of 9-1-1 ACOG's special revenue *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 9-1-1 ACOG's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, 9-1-1 ACOG's special revenue fund reported ending fund balances of \$10,614,185, a net increase of \$757,629 in comparison with the prior year. Approximately 13.5 percent (\$1,436,722) has been *assigned* for operations; approximately 14.1 percent (\$1,500,000) has been *assigned* for future system improvements, and approximately 71.4 percent has been assigned for E9-1-1 emergency telephone number system expenditures. *Assignments* reflect the 9-1-1 ACOG Board of Directors' self-imposed limitations on the use of otherwise available current financial resources and are subject to change. The remainder of fund balance is not available for new spending because approximately 1.0 percent (\$102,986) is *unspendable* because it consists of prepaid items.

The increase in fund balance is primarily due to controlling expenses in anticipation of the high cost of future systems.

The special revenue fund is the only fund used by 9-1-1 ACOG since its only function or program is the acquisition, implementation and administration of the E9-1-1 emergency telephone number system. This is the reason why 9-1-1 ACOG has no *unassigned* fund balance.

### **Budgetary Highlights**

Due to time constraints and the fact that 9-1-1 ACOG is not legally required to adopt a budget for its funds, there was no budget amendment for the fiscal year ended June 30, 2014. The differences between the budget and the actual amounts are primarily due to 9-1-1 ACOG maintaining a fiscally conservative budget. The differences can be summarized as follows:

- Net wireless telephone company service charge revenue was \$18,605 less than budgeted. This is due to some wireless telephone companies that had been remitting their prepaid wireless service charges directly to 9-1-1 ACOG instead correctly remitting prepaid wireless service fees to the Oklahoma Tax Commission (OTC) as legally required. The OTC retains a 2% collection fee from all service fees remitted by prepaid wireless retailers and then distributes these fees based on a set population-related percentage. Even if these telephone companies remitted the same amount to OTC as it had to 9-1-1 ACOG, the same amount would not be received by 9-1-1 ACOG.
- Net wireline telephone company service charge revenue was \$18,425 greater than budgeted. This is due to 9-1-1 ACOG being extremely conservative and budgeting for a 6% annual loss in the declining wireline revenue while the actual annual loss was only 5.2%.
- Net VoIP telephone company service charge revenue was \$11,033 less than budgeted but only \$457 less than prior year collections. 9-1-1 ACOG has historically budgeted all telephone company service charge revenue using as a starting base the amount of collections remitted for the month of March. Evidently, March 2013, which was used in the calculation of the budget for the fiscal year ended June 30, 2014, was not an average month for VoIP.
- Contract revenue was \$38,978 less than budgeted primarily due to the amount of the contract with EMSA decreasing when the new contract took effect January 1, 2014 while the old, higher contract amount was included in the budget.

- Miscellaneous revenue was \$27,784 more than budgeted. During the year, the Cities of Moore and Edmond each requested additional and/or specialized equipment at their answering points for which they reimbursed 9-1-1 ACOG.
- Due to being fiscally conservative and budgeting all known possible expenditures as well as implementation timing differences in the costs associated with enhancements to the regional 9-1-1 answering system and the continued implementation of the Feasibility Study and Migration Plan for future 9-1-1 System Maintenance, actual expenditures were less than budgeted for ACOG administration by \$169,349; maintenance and operation fees - telephone companies by \$291,877; repairs, maintenance and warranty by \$132,513; consultants by \$36,350; legal services by \$10,000 and capital outlay by \$197,113.

### Capital Asset and Long-Term Debt Administration

**Capital assets.** 9-1-1 ACOG's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$1,385,310 (net of accumulated depreciation and amortization). This investment in capital assets includes leased/financed equipment, equipment, an intangible map database, vehicles and works-in-progress as part of the 9-1-1 answering system. The total increase in 9-1-1 ACOG's investment in capital assets for the current fiscal year was \$441,063 or approximately 46.7 percent.

Major capital asset events during the current fiscal year included the following:

- A new 9-1-1 answering system host at a cost of \$602,099.
- Geolynx server work-in-progress at a cost of \$137,895.
- A new network monitoring system at a cost of \$57,975.
- Two new base system recorders at a cost of \$53,456.
- Two vehicles for use by the 9-1-1 service technicians at a cost of \$52,131.
- OU Health Sciences Center equipment work-in-progress at a cost of \$38,165
- Edmond SIP and Moore 4<sup>th</sup> position both placed in service at a total cost of \$31,971.
- 

#### 9-1-1 Association of Central Oklahoma Governments' Capital Assets (net of depreciation)

	Governmental Activities		Total Percentage Change
	2014	2013	
Intangible map database	\$ 375,948	\$ 375,948	0.0%
Works-in-progress	176,060	-	N/A
Leased/financed equipment	-	456,644	-100.0%
Equipment	787,980	111,655	605.7%
Vehicles	45,322	-	N/A
<b>Total</b>	<b>\$ 1,385,310</b>	<b>\$ 944,247</b>	<b>46.7%</b>

Additional information on 9-1-1 ACOG's capital assets can be found in Note II.C. on pages 21 - 22 of this report.

**Long-term debt.** 9-1-1 ACOG had no long-term debt during fiscal year 2014.

## **Economic Factors and Next Year's Budget**

The fiscal year 2015 9-1-1 ACOG budget includes the final steps toward the full implementation of the Migration Plan for Future Maintenance and Network Administration that was adopted by the 9-1-1 ACOG Board of Directors on April 26, 2012. Also included, through its administration agreement with ACOG, are the continued administration of the finances of the system, contract management with the 60 plus wireline telephone service providers, coordination with 10 wireless telephone service carriers, establishment and maintenance of the E9-1-1 system database, associated geographical information system (GIS), training of instructors and call-takers (telecommunicators), public education materials to assist cities to promote the proper utilization of the system, and ongoing efforts for maintenance of E9-1-1 system equipment, software and management information systems as well as funding for new programs that have been requested by the 9-1-1 Technical Committee which includes pre-employment testing services and developing a Telecommunicator Emergency Response Team (TERT).

The FY 2015 budget reflects the transition of maintenance and support of the regional 9-1-1 system from the local 9-1-1 service provider to 9-1-1 ACOG resources. Enhancements to the regional 9-1-1 system include reclaiming and relocating the Viper host components that were previously housed by the service provider, updating the necessary software and hardware components, and deploying this host as a geographically diverse dual-host environment and a partially-meshed layer two enterprise network.

The FY 2015 budget includes launching several Next Generation (NG) 9-1-1 pilot projects to continue the evolution of the regional system, including the ability for the regional system to receive text messages sent to 9-1-1. The hiring of a consulting firm to assist 9-1-1 ACOG in developing a Master Strategic Plan is also included.

The approved budget for fiscal year 2015 is conservative and does not project any increase in either net wireless or VOIP telephone company service charges, while it does project a 10% decrease in net wireline telephone company service charges, based upon historical declines and the continued migration from landline to wireless or VoIP technology.

## **Requests for Information**

This financial report is designed to provide a general overview of 9-1-1 ACOG's finances for all those with an interest in 9-1-1 ACOG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, 9-1-1 Association of Central Oklahoma Governments, 21 E. Main Street, Suite 100, Oklahoma City, OK 73104-2400. This report will also be available on the ACOG website, [www.acogok.org](http://www.acogok.org).

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**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Net Position**  
**June 30, 2014**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,393,292
Investments	99,860
Receivables	586,572
Prepaid items	102,986
Capital assets, net of accumulated depreciation	1,385,310
Total assets	<u>12,568,020</u>
 <b>LIABILITIES</b>	
Accounts payable	568,525
Total liabilities	<u>568,525</u>
 <b>NET POSITION</b>	
Net investment in capital assets	1,385,310
Unrestricted	10,614,185
Total net position	<u><u>\$ 11,999,495</u></u>

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

		<b>Program Revenue</b>		<b>Net (Expense)</b>
		<b>Operating</b>	<b>Grants and</b>	<b>Revenue and</b>
	<b>Expenses</b>	<b>Contributions</b>	<b>Governmental</b>	<b>Changes in Net Assets</b>
			<b>Activities</b>	
<b><u>Functions/Programs</u></b>				
E9-1-1 emergency telephone number system	\$ 3,362,382	\$ 4,561,074		\$ 1,198,692
	General revenues			-
	Change in net position			1,198,692
	Net position-beginning			10,800,803
	Net position-ending			\$ 11,999,495

The notes to the financial statements are an integral part of this statement.



**9-1-1 Association of Central Oklahoma Governments**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>Special Revenue Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,393,292
Investments	99,860
Receivables	586,572
Prepaid items	102,986
Total assets	<u>\$ 11,182,710</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 568,525
Total liabilities	<u>568,525</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	102,986
Assigned to:	
Future operations	1,436,722
Future system improvements	1,500,000
E9-1-1 emergency telephone number system	7,574,477
Total fund balances	<u>10,614,185</u>
Total liabilities and fund balances	<u>\$ 11,182,710</u>
Total fund balances	\$ 10,614,185
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,385,310
Long-term note payable is not due and payable in the current period and therefore is not reported as a liability in the funds.	-
Net position of governmental activities	<u>\$ 11,999,495</u>

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<b>Special Revenue Fund</b>
<b>REVENUES</b>	
Wireless telephone company service charges, net of collection fees	\$ 2,989,257
Wireline telephone company service charges, net of collection fees	1,200,094
VoIP telephone company service charges, net of collection fees	79,990
Contract revenue	259,379
Interest income	4,570
Miscellaneous revenue	27,784
Total revenues	<u>4,561,074</u>
<b>EXPENDITURES</b>	
Current:	
E 9-1-1 emergency telephone number system	
ACOG administration	1,350,855
Maintenance and operation fees - telephone companies	843,903
Repairs, maintenance and warranty	382,705
Supplies	22,321
Consultants	18,650
Insurance	10,847
Training	9,330
Vehicle operations	4,560
Capital outlay	991,321
Total expenditures	<u>3,634,492</u>
Excess (deficit) of revenues over expenditures before	
payments to 9-1-1 ACOG member entities	926,582
Payments to 9-1-1 ACOG member entities	<u>168,953</u>
Net change in fund balance	757,629
Fund balance-beginning	9,856,556
Fund balance-ending	<u><u>\$ 10,614,185</u></u>

The notes to the financial statements are an integral part of this statement.

**9-1-1 Association of Central Oklahoma Governments  
Reconciliation of the Statement of Revenues  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014**

<b>Net change in fund balance - governmental funds</b>	<b>\$ 757,629</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation. This is the amount by which  
depreciation (\$550,258) was exceeded by capital outlays (\$991,321) in the  
current period.

<u>441,063</u>
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ 1,198,692</u></u></b>
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The notes to the financial statements are an integral part of this statement.

## **9-1-1 Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

June 30, 2014

#### **I. Summary of significant accounting policies**

##### **A. Reporting entity**

The 9-1-1 Association of Central Oklahoma Governments (9-1-1 ACOG) is a public agency formed under the authority of Title 74, Oklahoma Statutes, permitting public agencies to enter into agreements with one another for joint or cooperative action. 9-1-1 ACOG was established in 1988 after voters approved the establishment of an enhanced 9-1-1 (E9-1-1) emergency telephone number system and was given the responsibility for the acquisition, implementation, and administration of the E9-1-1 emergency telephone number system.

The current membership of 9-1-1 ACOG is comprised of 36 Central Oklahoma cities, towns and counties. 9-1-1 ACOG is governed by a Board of Directors that consists of one elected official from each member government. Each entity receives a weighted vote on the Board based on the gross number of exchange access telephone line arrangements. The accompanying financial statements present 9-1-1 ACOG's operations. 9-1-1 ACOG has no blended or discretely presented component units.

##### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of 9-1-1 ACOG.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements are provided for 9-1-1 ACOG's one governmental fund, the special revenue fund.

##### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

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regardless of the timing of the related cash flows. Telephone company service charges are recognized as revenues in the year for which they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Telephone company service charges, contract revenue and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by 9-1-1 ACOG.

9-1-1 ACOG reports the following major governmental fund:

The *special revenue fund* is used to account for 9-1-1 ACOG operations. The major revenue source is a service charge, collected by the telephone companies and prepaid wireless retailers serving the 9-1-1 ACOG member entities. The Oklahoma Tax Commission now collects all service charges for prepaid wireless service and remits them to the applicable entities, including 9-1-1 ACOG. Non-prepaid wireless service charges by law are remitted by the telephone companies to the Association of Central Oklahoma Governments (ACOG) who in turn remits the applicable amounts to 9-1-1 ACOG. The telephone companies remit the service charges for other types of service directly to 9-1-1 ACOG. Other revenue sources include contract revenues, interest income and other miscellaneous sources.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, and 4) investment earnings. There are no general revenues since all revenues are attributable to 9-1-1 ACOG's single program.

#### **D. Assets, liabilities, and net position/fund balance**

##### *1. Deposits and investments*

## **9-1-1 Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

June 30, 2014

9-1-1 ACOG's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

9-1-1 ACOG's investments consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance. All investments are reported at fair value.

#### **2. *Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **3. *Capital assets***

Capital assets, which include computer equipment, software, vehicles, works-in-progress and an intangible map database, are reported in the statement of net assets. Capital assets are defined by 9-1-1 ACOG as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over estimated useful lives of 3 – 7 years. The intangible map database asset has an indefinite life and is not being amortized.

#### **4. *Long-term obligations***

In the statement of net position, long-term capital leases and notes payable are reported as liabilities in the governmental activities statement of net assets.

In the fund financial statements, the special revenue governmental fund reports proceeds of capital leases and notes payable as other financing sources.

#### **5. *Net position flow assumptions***

In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although it has no formal policy, 9-1-1 ACOG would normally consider restricted – net position to have been depleted before unrestricted – net position is applied but

## **9-1-1 Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

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reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

#### **6. Fund balance flow assumptions**

In order to calculate the amounts to report as restricted and assigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. 9-1-1 ACOG would normally consider restricted fund balance to have been depleted before using unassigned fund balance but reserves the right to selectively use unrestricted resources first to defer the use of restricted resources.

#### **7. Fund balance**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The classifications used in the special revenue fund financial statements are as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form, such as prepaid items, or because the resources must be maintained intact pursuant to legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- Assigned – includes fund balance amounts that are intended to be used by 9-1-1 ACOG for specific purposes that do not meet the criteria to be classified as restricted.

9-1-1 ACOG does not have a formal minimum fund balance policy. The Board of Directors did establish two fund balance goals. The first goal is to have an amount equal to 33 percent of total expenditures plus the amount of payments to 9-1-1 ACOG member entities be assigned for future operations. The second goal is to have an amount equal to 25% of the estimated system equipment replacement cost times the percentage through the current financing (lease or note) be assigned for future system improvements. This second goal was modified to an amount equal to 100% of the estimated system equipment replacement cost during the fiscal year 2013 budget process since 9-1-1 ACOG was not planning to finance future equipment acquisition.

## **II. Detailed notes on all funds**

### **A. Deposits and investments**



## **9-1-1 Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

June 30, 2014

At year-end, 9-1-1 ACOG's carrying amount of deposits was \$10,393,292 and the bank balance was \$10,461,793. Of the bank balance, \$250,000 was fully covered by federal depository insurance. The remaining \$10,211,793 was more than fully collateralized by US Treasury Notes valued at their current market price of \$11,049,666, held at the Federal Reserve Bank of New York pledged to 9-1-1 ACOG.

9-1-1 ACOG's investments of \$99,860 consist of one certificate of deposit at a commercial bank that is entirely insured by federal depository insurance.

#### **B. Receivables**

Receivables as of year-end for 9-1-1 ACOG are as follows:

Wireless service charges, net and interest	\$ 468,730
Wireline telephone company service charges, net	99,505
VoIP telephone company service charges, net	9,571
Contracts	3,649
Interest	11
Other	<u>5,106</u>
Total	<u>\$ 586,572</u>

#### **C. Capital assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

## 9-1-1 Association of Central Oklahoma Governments

### Notes to the Financial Statements

June 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Intangible map database	\$ 375,948	\$ -	\$ -	375,948
Works-in-progress	-	176,060	-	176,060
Total capital assets, not being depreciated:	<u>375,948</u>	<u>176,060</u>	<u>-</u>	<u>552,008</u>
Other capital assets:				
Leased/financed equipment	3,041,227	-	-	3,041,227
Equipment	198,015	763,130	-	961,145
Vehicles	-	52,131	-	52,131
Total other capital assets	<u>3,239,242</u>	<u>815,261</u>	<u>-</u>	<u>4,054,503</u>
Less accumulated depreciation for:				
Leased/financed equipment	(2,584,583)	(456,644)	-	(3,041,227)
Equipment	(86,360)	(86,805)	-	(173,165)
Vehicles	-	(6,809)	-	(6,809)
Total accumulated depreciation	<u>(2,670,943)</u>	<u>(550,258)</u>	<u>-</u>	<u>(3,221,201)</u>
Other capital assets, net	<u>568,299</u>	<u>265,003</u>	<u>-</u>	<u>833,302</u>
Governmental activities capital assets, net	<u>\$ 944,247</u>	<u>\$441,063</u>	<u>\$ -</u>	<u>\$1,385,310</u>

### D. Long-term liabilities

During the year ended June 30, 2014, 9-1-1 ACOG had no long-term liabilities.

## III. Other information

### A. Risk management

9-1-1 ACOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. 9-1-1 ACOG carries commercial insurance coverage to include general liability, property and casualty, and public officials' liability. There have been no significant reductions in insurance coverage. 9-1-1 ACOG does retain the first \$1,000 - \$5,000, depending on the policy, of each risk of loss in the form of deductibles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### B. Related party transactions

## **9-1-1 Association of Central Oklahoma Governments**

### **Notes to the Financial Statements**

**June 30, 2014**

In 1988, 9-1-1 ACOG entered into an agreement with the Association of Central Oklahoma Governments (ACOG) for administration of the E9-1-1 emergency telephone number system. In this capacity, ACOG is responsible for the acquisition, implementation, and administration of the 9-1-1 system for the suburban communities, excluding the City of Oklahoma City.

During the fiscal year ended June 30, 2014, 9-1-1 ACOG again entered into an agreement with the City of Oklahoma City to provide certain program services and develop certain work products of benefit to the City in the support of the City's delivery of 9-1-1 services. These services are provided to the City of Oklahoma City through 9-1-1 ACOG's agreement with ACOG.

9-1-1 ACOG reimburses ACOG for all costs incurred to fulfill all these responsibilities, which include but are not limited to, continued administration of the finances of the system; contract management and coordination with telephone service providers; establishment and maintenance of the E9-1-1 system database and associated geographical informational system (GIS); training of instructors and call-takers; providing a comprehensive public education program promoting the proper utilization of the system; maintenance of E9-1-1 system equipment, software and management information systems and providing professional services to the City of Oklahoma City. 9-1-1 ACOG recorded expenditures under this agreement for the year ended June 30, 2014, amounting to \$1,350,855 of which \$58,745 was for providing professional services to the City of Oklahoma City. 9-1-1 ACOG also reimbursed ACOG for \$8,636 of expenditures that were budgeted to be paid directly by 9-1-1 ACOG and are therefore reflected here in the applicable expenditure category for budget comparison purposes. Year-end accounts payable include \$204,956 under this agreement of which \$3,649 is also receivable from the City of Oklahoma City for professional services rendered.

Several individuals serving as officers or directors of 9-1-1 ACOG also hold similar positions with ACOG.

**9-1-1 Association of Central Oklahoma Governments**  
**Budgetary Comparison Schedule**  
**Governmental Funds - Special Revenue Fund**  
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Budget Positive (Negative)</b>
<b>REVENUES</b>			
Wireless telephone company service charges, net of collection fees	\$ 3,007,862	\$ 2,989,257	\$ (18,605)
Wireline telephone company service charges, net of collection fees	1,181,669	1,200,094	18,425
VoIP telephone company service charges, net of collection fees	91,023	79,990	(11,033)
Contract revenue	298,357	259,379	(38,978)
Interest income	6,150	4,570	(1,580)
Miscellaneous revenue	-	27,784	27,784
Total revenues	<u>4,585,061</u>	<u>4,561,074</u>	<u>(23,987)</u>
<b>EXPENDITURES</b>			
Current:			
E 9-1-1 emergency telephone number system			
ACOG administration	1,520,204	1,350,855	169,349
Maintenance and operation fees-telephone companies	1,135,780	843,903	291,877
Repairs, maintenance and warranty	515,218	382,705	132,513
Consultants	55,000	18,650	36,350
Supplies	17,752	22,321	(4,569)
Insurance	15,500	10,847	4,653
Training	15,000	9,330	5,670
Legal services	10,000	-	10,000
Vehicle Operations	5,500	4,560	940
Other	2,000	-	2,000
Capital outlay	1,188,434	991,321	197,113
Total expenditures	<u>4,480,388</u>	<u>3,634,492</u>	<u>845,896</u>
Excess (deficit) of revenues over expenditures before payments to 9-1-1 ACOG member entities	104,673	926,582	821,909
Payments to 9-1-1 ACOG member entities	168,954	168,953	(1)
Excess (deficit) of revenues over expenditures	<u>(64,281)</u>	<u>757,629</u>	<u>821,908</u>
Fund balance-beginning	9,856,556	9,856,556	-
Fund balance-ending	<u>\$ 9,792,275</u>	<u>\$ 10,614,185</u>	<u>\$ 821,910</u>

## **9-1-1 Association of Central Oklahoma Governments**

### **Information on Budgetary Comparison Schedule**

June 30, 2014

#### **1. Budgetary Information**

Budgets for the special revenue fund are adopted on an available resources basis but are converted to a basis consistent with accounting principles generally accepted in the United States of America. A proposed budget and work program for the ensuing fiscal year is submitted by the 9-1-1 ACOG Executive Director to the Budget Committee during June of each year. The budget must be balanced. The 9-1-1 ACOG Board of Directors votes to adopt the budget approved by the Budget Committee for the ensuing fiscal year, subject to amendment or modification, during its June meeting. Expenditures in excess of approved budget amounts must be approved by the 9-1-1 Board of Directors in advance. In May of each year, the 9-1-1 ACOG Board of Directors adopts the amendment to its current year budget, if one is needed. Due to workload and time constraints, no amendment was done in May of 2013. 9-1-1 ACOG is unable to legally adopt a budget.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the  
9-1-1 Association of Central Oklahoma Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 9-1-1 Association of Central Oklahoma Governments ("9-1-1 ACOG") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise 9-1-1 ACOG's basic financial statements, and have issued our report thereon dated October 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 9-1-1 ACOG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 9-1-1 ACOG's internal control. Accordingly, we do not express an opinion on the effectiveness of 9-1-1 ACOG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 9-1-1 ACOG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 9-1-1 ACOG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 9-1-1 ACOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aledge & Associates, P.C.".

Edmond, Oklahoma  
October 7, 2014